

Tuesday, 17 August 2010

To Arts Council revenue funded organisations and local authority partners

Dear Colleague

Investment Review

My apologies for this standardised letter, but I wanted to write to everyone to share with you our plans for the next phase of our Investment Review. As we've said before, the period between now and December is absolutely critical, so I want to explain where we'll be concentrating our energies.

Firstly, I wanted to thank those of you who've responded to the decisions announced by our Council at the end of June. We've received many positive comments and we're naturally very grateful for this feedback. However, we know that not everyone was happy with the outcome, and we're very mindful of the concerns of those who've received bad news.

We received a small number of Appeals, and these are being dealt with, independently, in accordance with our Appeals process. Otherwise, our programme of Transition meetings continues with those organisations whose revenue funding will end next March. And from September, we'll be meeting with those organisations who we're hoping will be part of our new revenue funded 'portfolio' from April 2011. If we haven't contacted you yet to arrange a date, we'll be doing so very soon.

Business plan assessment notes

A number of you have contacted us to ask if we're intending to publish our assessment of your Business Plans. This is not our intention, and we're treating the notes as confidential documents between us and yourselves and for you to use as you see fit.

Some of you have sent us amendments and clarifications. We're happy to acknowledge corrections of fact, and these will be kept on our files along with the other Investment Review documentation.

Future funding from 2011/12 onwards

It's very clear that we're facing an enormous challenge.

The messages coming from the UK government point to very significant cuts in future levels of public spending. Indeed, the Department for Culture, Media and Sport (DCMS) has been leading the way. I understand that the DCMS is modelling scenarios that include reductions to its current spending plans of up to 40%. And recent high-profile cuts to the DCMS cultural portfolio seem to

offer an uncompromising signal of the Department's intended direction of travel.

Of course, it doesn't necessarily follow that this will translate into cuts of a similar level to the arts here in Wales. That said, the Welsh Assembly Government is giving a clear indication that the public sector in Wales must plan for a significantly reduced level of public investment in the future. So we take nothing for granted and re-double our efforts over the Autumn to press for the best possible settlement for the arts.

Looking ahead to the funding negotiations, there are two things that we're requesting of the Welsh Assembly Government: an appropriate level of future funding that recognises the tough decisions already taken through the Investment Review; and, the ability to be able to make three year funding commitments.

I can't emphasise too strongly how important this is.

As we've said before, the 'portfolio' that we announced in June is, for the moment, provisional. It depends on us receiving a level of funding that allows us to implement our plans as set out in our *Renewal and transformation* document. If this proves not to be the case, there'll have to be a further process of review with the priorities drawn even tighter. One consequence of this might be that we have to reduce even further the number of organisations that we're able to fund in the future. This is obviously not what we want to do – we believe that we have a set of proposals that are principled, deliverable and offer a sustainable way forward. However, we'll need your help in convincing the Assembly Government that this is the case.

2010/11 – 'in year' cuts

When I last wrote to you in June, I spoke about the possibility that the Welsh Assembly Government would ask us to make cuts to our current year's budget. This has now been confirmed, and we're required to find a reduction of £253,000 in our spending plans for this year.

We'll decide how to implement the cut at our next Council meeting on 10 September, and I'll write again after the meeting to let you know the approach that we'll be taking.

2010/11 unallocated funds

You might remember that I've written to you previously about our intended use of some of the funds that had previously been used to make *Beacon* awards. With the *Beacon* scheme now ended, our original plan was to use this money to try and 'accelerate' implementation of the outcomes of the Investment Review.

However, since setting out our intentions, the future budget outlook has changed dramatically, and Council wishes to consider what the most appropriate course of action would be. It will do this at its September meeting.

To assist Council's discussion, I'll be offering three possible suggestions (although Council might wish to consider other options):

1. **To proceed as originally planned and allocate the funds** – the attraction here is that this provides some immediate good news. It also helps a number of organisations who desperately need additional investment now to stave off immediate and pressing programming pressures. The disadvantage is that there is no guarantee that this level of funding will continue to be available in future years
2. **To hold back the funds, rolling them across future years to mitigate the worst impact of any government funding cuts from 2011/12 onwards** – allocating funding now might be seen as premature and unwise given the scale of future uncertainties. In anecdotal conversation, I've heard speculation that the public sector is facing a 'cliff edge' in terms of the potential drop in funding next year. Having some degree of contingency might cushion the drop, perhaps even avoid the necessity for a further reduction in the number of revenue funded organisations. However, for this strategy to work we'll need to be certain that the Welsh Assembly Government will allow us to carry forward unspent balances at the year end
3. **A combination of the two options above** – depending on your point of view, this is either 'the best of both worlds' or 'neither one thing nor the other'. However, it's an option that still needs to be considered

Strategic initiatives/development funds

Our Investment Review decision paper, *Renewal and transformation*, set out our intention to create a number of new funding initiatives. Although these will, again, depend on future government funding decisions, we're keen to start the process of definition.

Following our September Council meeting, we'll publish the first phase of proposals for consultation. We expect to consult in the first instance on the Festivals Fund, Dance, and the development of drama production, with other areas to follow soon after. So we'll be using the Autumn to consult on all new proposals. Our target is to have all new arrangements in place for the financial year 2011/12, with certain funds, as for example the Festival Fund, up and running from January 2011.

National Assembly's Communities and Culture Committee

The Assembly's Communities and Culture Committee has announced its intention to conduct an inquiry into the accessibility of arts and cultural activities in Wales. It will examine the geographic spread of venues, the activities that take place in those centres, and issues of access and funding.

The Committee will also focus on a range of issues, including the impact of our Investment Review, the possible impact of the Welsh Assembly Government's budget for 2011/12 on cultural activities and venues in Wales, and the key role played by local authorities in providing access to arts and cultural activities.

You can find out more by following the link below.

http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-ccc-home/cc_inquiries/cc3_inq_ac_main.htm

We warmly welcome the Committee's decision to hold this hearing. We'll be making a written submission and will be giving oral evidence. The Committee will want to examine in detail our Investment Review process, and it's right that it should do so. However, the timing of the hearing, coinciding as it does with key budget discussions within the Assembly Government, potentially offers no better opportunity to promote the cause of the arts in Wales. It's essential that a wide variety of voices are heard.

Some organisations will already be known to the Committee. But we'd therefore encourage as many of you as possible to make your own submission direct to the Committee (deadline Friday 24 September).

And finally...

My very best wishes to you for the Summer, and I look forward to working with you over the Autumn to persuade the Assembly Government of the tremendous value that Wales gets from its investment in the arts.

Best regards



Nick Capaldi
Chief Executive/Prif Weithredwr